

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Corporate Services

Corporate & Efficient Governance Committee – 24 June 2009

Subject : Trading Accounts

1. Purpose

- 1.1** The purpose of this report is to advise the Committee of the results of the annual review undertaken in respect of the Council's trading activities.

2. Background

- 2.1** The Local Government Scotland Act 2003 repealed the legislation governing compulsory competitive tendering (CCT) which led to the creation of direct labour organisations (DLOs) and direct service organisations (DSOs). In its place, the Act introduced the requirement for statutory trading accounts to be maintained for "significant trading operations".
- 2.2** From 2003/04 local authorities were required to identify which activities should be treated as trading accounts.
- 2.3** For the past two years the Council has had only 2 Significant Trading Operations (STO), namely:
- (a) Housing Maintenance Trading Operation
 - (b) Grounds Maintenance and Street Cleaning
- 2.4** The annual review has now been completed to identify possible changes to this list. The exercise used the same rationale as previously used:
- (a) First of all, the service has to meet the following two criteria:
 - the service is provided in a competitive environment
 - the service is provided on a basis other than the straightforward recharge of cost.
 - (b) If the service fails either of these criteria, no trading account is required. If it passes both, it should then be tested for significance. In accordance with the Council's prudential reserves policy, a significance level of 2% of net expenditure was used (currently £4.9m 2009/10, as reported to Council).

3. Main Issues

- 3.1** During the current review, all Council services were analysed against the criteria noted within (a) and no changes were identified from the responses received.
- 3.2** Two major changes have taken place since the last review:
- (a) Commencement of the PPP contract.
 - (b) Single status implementation, adding significant sums onto some staffing budgets;
- 3.3** The commencement of the PPP contract has led to a change to the way in which the Council expects to monitor and manage some non-statutory trading operations (e.g. catering, building cleaning, grounds maintenance). The Council won these contracts internally and from August 2009 will require to manage, maintain and monitor these services differently. As such the Council will now separate these elements into a PPP facilities management function and it will now be managed by a separate manager. This new function is under the threshold agreed for STOs.
- 3.4** Single status costs have not taken any individual service/function over the threshold of 2% (£4.9m)
- 3.5** Therefore, the review identifies no new significant trading accounts and all previously identified significant trading accounts will remain with a statutory focus, at least until the next review is undertaken.

4. Personnel Issues

- 4.1** There are no personnel issues.

5. Financial Implications

- 5.1** There are no financial implications.

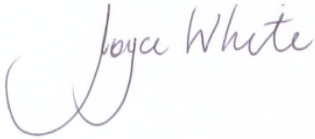
6. Risk Analysis

- 6.1** No additional risk analysis was necessary.

7. Conclusions and Officers' Recommendations

- 7.1** The annual review of trading operations has been completed and based upon the results, no further significant trading operations were identified.

- 7.2** The Committee is asked to note that the annual review has identified only two Significant Trading Account Services, as noted within 2.3. This is in line with those identified in the annual review for 2008/09.



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Date: 28 May 2009

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